

Message Text

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ACTION AID-59

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TO SECSTATE WASHDC PRIORITY 2011

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UNCLAS SECTION 01 OF 03 PARIS 34075

USOECD

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PASS STATE EB/IFD FOR MEISSNER

PASS TREASURY FOR PELIKAN

E.O. 11652: N/A

SUBJECT: DAC WORKING PARTY ON FINANCIAL ASPECTS (WP/FA)

MEETING - NOVEMBER 15-16, 1977

REFS: (A) HF/2582, NOVEMBER 14, 1977; (B) PARIS 32822;
(C) STATE 272443; (D) STATE 269862; (E) STATE 272837/1

1. SUMMARY: THE THREE MAJOR AGENDA ITEMS WERE OFFICIALLY SUPPORTED NON-ODA FLOWS, TERMS, AND LDC DEBT. RE THE FIRST, MEMBERS AGREED THAT DAC'S PRIME CONCENTRATION CONCERNING FINANCIAL FLOWS SHOULD CONTINUE TO BE ODA VOLUME AND QUALITY, BUT THAT IT ALSO SHOULD PAY SOMEWHAT MORE ATTENTION TO NON-ODA FLOWS IN FUTURE. MEMBERS ALSO CONCURRED THAT THE EXISTING DAC TERMS RECOMMENDATION SHOULD BE REVISED TO REFLECT THE CIEC RESULTS, AND POSSIBLY INCORPORATE SOME OTHER IMPROVE-
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MENTS. ON DEBT, IT WAS AGREED THAT WP/FA CAN PLAY USEFUL ROLE IN HELPING MEMBERS PREPARE FOR UNCTAD DEBT MEETINGS; AS FIRST STEP SECRETARIAT WILL PREPARE COMPREHENSIVE, FACTUAL, UP-TO-DATE ASSESSMENT OF PRESENT LDC DEBT SITUATION FOR USE BY GROUP B AT DECEMBER DEBT GROUP MEETING. U.S. RESERVED ON REQUEST THAT SECRETARIAT ANALYZE G-19 FEATURES PROPOSALS MADE AT CIEC.

END SUMMARY.

2. AMBASSADOR BRUCE WILLIAMS OF CANADA WAS UNANIMOUSLY ELECTED NEW CHAIRMAN OF THIS WP, SUCCEEDING SIR JOHN CHADWICK OF U.K. SECRETARIAT AND SEVERAL DAC MEMBERS THANKED U.S. GOVERNMENT AND RAYMOND MALLEY OF USOECD FOR WITHDRAWING OF MALLEY'S CANDIDACY, IN A SPIRIT OF COMPROMISE, IN FAVOR OF WILLIAMS (SEE REFS A AND B). U.S. PROPOSED WILLIAMS' ELECTION, AND JAPAN AND BELGIUM SECONDED.

3. OFFICIALLY SUPPORTED NON-ODA FLOWS, DAC/FA(77)12: MAIN CONCLUSIONS WERE THAT DAC IN FUTURE SHOULD PAY GREATER ATTENTION TO OTHER OFFICIAL FLOWS (OOF), BUILDING ON THE GOOD FACTUAL AND ANALYTIC WORK NOW BEING DONE BY SECRETARIAT, E.G., DAC/FA(77)12. THE SECRETARIAT SHOULD KEEP THIS WORK UP TO DATE. NEVERTHELESS, REGARDING FINANCIAL FLOWS, ODA VOLUME AND QUALITY SHOULD CONTINUE TO RECEIVE DAC'S PRIORITY CONCERN. A NEW CATEGORY CALLED TOTAL OFFICIAL FLOWS, I.E., ODA PLUS OOF, WILL BE SEGREGATED OUT BY SECRETARIAT IN REPORTING DATA. REALISTIC BREAKDOWN OF OOF INTO DEVELOPMENT-ORIENTED AND NON-DEVELOPMENT-ORIENTED SEGMENTS CONSIDERED IMPOSSIBLE, AND WILL NOT BE PURSUED. COMMENT: GERMANY SOMEWHAT SURPRISINGLY WAS CONTENT WITH THESE CONCLUSIONS AND DID NOT PRESS FOR MAJOR NEW UNCLASSIFIED

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SECRETARIAT WORK ON NON-ODA FLOWS AS THEY HAVE IN PAST. END COMMENT.

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4. SWEDEN APPARENTLY IS ONLY DAC COUNTRY CONSIDERING FURTHER SIGNIFICANT ACTION AT THIS TIME TO STIMULATE MORE NON-ODA FLOWS, THROUGH POSSIBLE CREATION OF A FUND FOR INDUSTRIAL COOPERATION CALLED SWEDIC WHICH WOULD CONCENTRATE ON MIDDLE AND HIGHER-INCOME LDC'S. FRENCH DEL SAID CAISSE CENTRALE HAS STRENGTHENED ITS SECOND WINDOW FOR LOANS TO MIDDLE-INCOME AFRICAN COUNTRIES UNABLE TO OBTAIN ADEQUATE LEVELS OF PRIVATE CREDIT.

5. TERMS, DAC/FA(77)17: MEMBERS SUPPORTED U.S. REQUEST THAT EXISTING DAC TERMS RECOMMENDATION BE REVISED TO INCORPORATE CIEC RESULTS, NAMELY INCREASE GRANT ELEMENT TARGET FROM 84 TO 86 PERCENT AND INDICATE THAT ODA TO LEAST DEVELOPED SHOULD BE ESSENTIALLY IN FORM OF GRANTS. U.S. ALSO PROPOSED THAT TERMS RECOMMENDATION BE IMPROVED BY TAKING ACCOUNT OF RECENTLY ADOPTED GUIDELINES ON LOCAL COST FINANCING, AND THAT LAST PARAGRAPH ON EXPORT CREDITS BE EXPANDED TO COVER ALL OOF. SECRETARIAT WILL DRAFT NEW TEXT COVERING ALL THESE POINTS FOR WP CONSIDERATION.

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6. SEVERAL SUGGESTIONS ON TERMS WERE NOT AS WARMLY RECEIVED. U.S. AND SWEDEN SAID THEY ARE PREPARED TO CONSIDER FURTHER LIBERALIZATION OF TARGETS FOR LEAST DEVELOPED CONTAINED IN PARA 9 OF EXISTING TERMS RECOMMENDATION; BUT OTHERS SAID MARGINAL IMPROVEMENTS IN GRANT ELEMENTS PERHAPS NOT WORTH THE EFFORT. SWEDEN AND CANADA ARGUED FOR EXPANSION OF LIST OF POOREST LDC'S, BUT U.S. AND MOST OTHERS AGREED THAT RESUMPTION OF DISCUSSIONS ON THIS CONTINUALLY CONTROVERSIAL MATTER WOULD AGAIN BOG DOWN WP NEEDLESSLY; CONSENSUS WAS IT IS BEST TO STICK TO U.N. LIST. SWEDEN AND NORWAY SUPPORTED EXPANSION OF DEFINITION OF ODA BY RAISING MINIMUM GRANT ELEMENT FROM PRESENT 25 TO 50 PERCENT. BUT U.S. AND OTHERS STRONGLY OBJECTED, NOTING DANGER OF

TAKING ANY ACTIONS THAT WOULD REDUCE REPORTED ODA SUBSTANTIALLY AT SAME TIME WE ARE TELLING G-77 THAT WE WILL INCREASE AID VOLUME. BUT AT REQUEST OF NORDICS, SECRETARIAT WILL PREPARE DATA INDICATING IMPLICATIONS OF POSSIBLE CHANGES IN ODA DEFINITION.

7. LDC DEBT, DAC(77)13: THERE WAS GENERAL AGREEMENT THAT WP/FA SHOULD ASSIST GROUP B MEMBERS TO PREPARE FOR DECEMBER UNCTAD DEBT GROUP MEETING. BUT WP ROLE AFTER GROUP MEETING, ESPECIALLY INVOLVING PREPARATIONS FOR MINISTERIAL, WILL BE DECIDED LATER.

8. DRAWING ON GUIDANCE IN REFTEL (E), U.S. PROPOSED THAT SECRETARIAT PREPARE THOROUGH, FACTUAL, ANALYTICAL DISAGGREGATED DEBT STUDY FOR USE BY GROUP B EXPERTS AT GENEVA. PURPOSE IS TO SHOW THAT DEBT SITUATIONS VARY GREATLY AMONG DIFFERENT LDC'S, AND THERE IS REALLY NO GENERAL DEBT PROBLEM. STUDY WOULD BUILD ON THE GOOD UNCLASSIFIED

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WORK ALREADY CONTAINED IN DAC(77)13. OTHER DAC MEMBERS WELCOMED THIS PROPOSAL, AND SECRETARIAT IS UNDERTAKING IT ON PRIORITY BASIS. COMMENT: IN CORRIDOR TALKS GERMANS (KOINZLER) AND U.K. (SLATER) SAID IN THEIR OPINION SECRETARIAT'S PAPER SHOULD CONCLUDE BY STRESSING THAT WE BELIEVE CIEC US/EC PROPOSAL CAN BE APPLIED WELL TO CURRENT LDC DEBT SITUATION. PAPER WOULD THEN DESCRIBE US/EC PROPOSAL AND ITS RELEVANCE. ACTUAL TEXT OF PROPOSAL WOULD BE APPENDED TO DEBT EXPERTS REPORT "POUR MEMOIRE" AND ENTIRE PACKAGE FORWARDED TO MINISTERS. END COMMENT.

9. EC AND SWEDEN ALSO SUGGESTED THAT SECRETARIAT ASSESS G-19 DEBT GUIDELINE PROPOSALS AND COMPARE WITH US/EC GUIDELINES. U.S. SPOKESMAN EXPRESSED FEAR THAT SUCH COMPARATIVE ANALYSIS COULD BE DE FACTO FIRST STEP TOWARD MERGING OF THE TWO PROPOSALS, A POSITION USG COULD NOT ACCEPT. BELGIUM AND U.K. SAID THAT ANALYSIS BY INDEPENDENT OBSERVER SUCH AS OECD SECRETARIAT COULD BE HELPFUL, AND WOULD ONLY BE FOR GROUP B COUNTRIES TO USE AS THEY SAW FIT. AFTER CONSIDERABLE DISCUSSION, CONSENSUS WAS THAT SECRETARIAT WILL PAY PRIME ATTENTION TO FACTUAL DEBT STUDY MENTIONED PARA 8 ABOVE (I.E., THE U.S. SUGGESTION), BUT WILL ALSO DEVOTE SOME ATTENTION TO ANALYSIS OF G-19 PROPOSALS (BUT NOT COMPARE THEM WITH US/EC) IF TIME PERMITS. U.S. RESERVED ON THIS LATTER

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STUDY, AND CHAIRMAN DULY NOTED OUR RESERVATION IN HIS
SUMMARY. WE SAID WE WOULD PROVIDE SECRETARIAT OUR
FURTHER VIEWS LATER.

10. SWEDEN TOOK OCCASION TO MENTION ITS RECENT DEBT
RELIEF DECISION, STRESSING THAT RATIONALE WAS THAT SINCE
THERE IS NOW GENERAL AGREEMENT AMONG DONORS THAT POOREST
SHOULD RECEIVE AID IN FORM ESSENTIALLY OF GRANTS, RETRO-
ACTIVE WRITE-OFF OF LOAN OBLIGATIONS FOR SUCH COUNTRIES
JUSTIFIED. SWEDEN HOPES OTHER DONORS CAN DO SAME.
CLAIMED THAT ALTHOUGH THEY UNDERSTAND PROBLEMS OF OTHERS
AND DO NOT WANT TO COMPLICATE MATTER FOR GROUP B,
NEVERTHELESS THEY ARE CONSIDERING INTRODUCING A DEBT
RELIEF RESOLUTION AT UNCTAD (SPECIFICS NOT PROVIDED).

11. GERMANY, STRONGLY SUPPORTED BY U.S., ASKED SECRE-
TARIAT TO UNDERTAKE FACTUAL, ANALYTIC STUDY OF ECONOMIC
PROBLEMS OF LEAST DEVELOPED, DEVELOPING ISLAND, AND
LAND-LOCKED COUNTRIES, TO ASSIST GROUP B IN ADDRESSING
TDB DECISION 149 (XVI). SUCH STUDY WAS GENERALLY SUP-
PORTED AND WILL BE DRAFTED, WITH COMPLETION TARGET DATE
EARLY JANUARY.

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12. NEXT MEETINGS: THERE WAS TENTATIVE AGREEMENT TO MEET AGAIN IN JANUARY (NO PRECISE DATE) TO DISCUSS THE REVISED DAC TERMS RECOMMENDATION, AND POSSIBLY NEXT ACTIONS ON UNCTAD DEBT DISCUSSIONS IF MEMBERS DESIRE. ANOTHER WP MEETING IN APRIL WOULD DISCUSS TERMS, PREPARATIONS FOR CIFT, RESULTS OF UNCTAD MINISTERIAL, AND OTHER TOPICS OF INTEREST TO MEMBERS (NORDICS AND GERMANY WANT TO INCLUDE RESUMPTION OF RECIPROCAL UNTYING DISCUSSIONS).
SALZMAN

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